

## Message Text

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C O N F I D E N T I A L STATE 040771

FOLLOWING REPEAT BONN 2846 SENT ACTION SECSTATE INFO PARIS  
BRUSSELS LONDON GENEVA FEB 15.  
QUOTE C O N F I D E N T I A L BONN 02846

USEEC

FOR UNDERSECRETARY COOPER AND BILL MILAM EB/OMA

E. O. 11652: GDS

TAGS: UNCTAD, ETRD, GW

SUBJ: COREA VISIT TO FRG

1. EMBOFF DISCUSSED VISIT TO FRG LAST FRIDAY OF UNCTAD  
SECRETARY GENERAL COREA WITH FOREIGN OFFICE AND MINISTRY  
OF ECONOMICS OFFICIALS. COREA CALLED ON ECONOMICS  
MINISTER COUNT LAMBSDORFF, FOREIGN OFFICE UNDER SECRETARY  
HERMES AND AID MINISTRY UNDERSECRETARY KOLLATZ.

2. COREA MADE POINT THAT DEVELOPED COUNTRIES MUST BE  
PREPARED TO MAKE DIRECT CONTRIBUTIONS, HOWEVER SMALL,  
TO BOTH FIRST AND SECOND WINDOWS TO GET MEANINGFUL  
NEGOTIATIONS/DISCUSSIONS GOING ON NORTH/SOUTH DIALOGUE.  
HE PLACED PRIMARY EMPHASIS ON POSITIVE DECISION ON  
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SECOND WINDOW, SINCE THIS WAS EXTREMELY IMPORTANT  
OBJECTIVE FOR AFRICAN DEVELOPING COUNTRIES. ON FIRST  
WINDOW, COREA SAID COMMON FUND (CF) MUST HAVE ITS OWN  
RESOURCES, I. E. SOME FORM OF DIRECT CONTRIBUTION FROM  
G-9 COUNTRIES, PLUS POOLING ARRANGEMENT FUNDS. HE  
ALSO SAID REQUIRED DEPOSIT RATIO FROM INDIVIDUAL  
INTERNATIONAL COMMODITY AGREEMENTS (ICA'S) SHOULD BE

AT MINIMUM LEVELS, E. G. 10 TO 15 PERCENT. (HE REPORTEDLY SAID 10 PERCENT IN PARIS).

3. GERMANS EXPRESSED INTEREST IN MEMBERSHIP AND WEIGHTING OF VOTE QUESTION. HERMES EXPRESSED FRG VIEW THAT CF WOULD PRIMARILY DEAL WITH MARKET RELATIONSHIPS AND WAS NOT AN AID MECHANISM; THUS, VOTING STRUCTURE SHOULD BE DEvised ACCORDINGLY. COREA SAID THIS HAD ALSO BEEN HIS INITIAL THINKING, BUT PROBLEM WAS COMPLICATED BY DEVELOPED COUNTRIES WHO WERE SIMULTANEOUSLY PRODUCERS A F CONSUMERS. QUESTIONS WAS, HOW WOULD THEY FIT INTO THE VOTING PICTURE? IN ADDITION, LDC'S NEED TO FEEL THEY PLAY A DECISIVE ROLE IN CF OPERATIONS. COREA ALSO FDT THAT BY MAKING WHOLE CF INDEPENDENT AND BY DESIGNING OPERATIONS TO FUNCTION ON A MORE SEMI-AUTOMATIC BASIS, PROBLEMS OF VOTING AND MEMBERSHIP WOULD BE SEEN AS SECONDARY ISSUES.

4. THERE WAS ALSO DISCUSSION OF THE "CHICKEN AND THE EGG" PROBLEM: SHOULD THE CF BE ESTABLISHED FIRST OR SHOULD IT WAIT UNTIL COMPLETION OF ICA NEGOTIATIONS? COREA MAINTAINED THAT, PRACTICALLY SPEAKING, THERE WAS LITTLE HOPE FOR PROGRESS ON ESTABLISHING ICA'S IN THE SHORT TERM. HE CITED THE COCOA AGREEMENT AS ONE WHICH HAD DRAGGED ON FOR SEVENTEEN YEARS. HE POINTED OUT THAT

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THE ONLY REAL PROGRESS FOR AN ICA NEGOTIATION APPEARED TO BE COMING ON NATURAL RUBBER, WHILE SUGAR COULDN'T COUNT, SINCE IT WAS AN OLD, CARRY-OVER NEGOTIATION. COREA FURTHER SAID THAT INDUSTRIAL COUNTRY LEADERS (CITING PRESIDENT CARTER SPECIFICALLY) MADE EXCELLENT STATEMENTS URGING PROGRESS ON NORTH/SOUTH ISSUES, BUT AT THE SAME TIME INDUSTRIAL COUNTRY EXPERTS WHO ACTUALLY ATTENDED THE NEGOTIATING CONFERENCES ACTED AS IF THEY WERE CONDUCTING UNIVERSITY SEMINARS; RESULTS NO PROGRESS.

5, ON THE DEBT ISSUE, COREA SAID HE DID NOT EXPECT THE MINISTERIAL MEETING OF THE TDB IN GENEVA TO BE MORE THAN A REVIEW OF THE PROBLEM. HE PERSONALLY DID NOT THINK THE GENERAL FOREGIVENESS OF DEBTS TO BE A PRACTICAL POSSIBILITY; ON THE OTHER HAND HE ARGUED THAT CREDITOR COUNTRIES SHOULD BE MORE WILLING TO CONVERT OUTSTANDING LDC OBLIGATIONS INTO GRANTS. HE FELT THAT THE NEXT STEP ON THE DEBT ISSUE SHOULD BE TO ESTABLISH A BODY OF EXPERTS TO CONTINUE TO STUDY THE PROBLEMS AND RECOMMEND SOLUTIONS. IN GENERAL, ON DEBT AS WELL AS OTHER NORTH/SOUTH QUESTIONS, IT HELPED TO SEND HIGH-LEVEL REPRESENTATIVES TO MEETINGS.

6. COREA MENTIONED THAT MAY WOULD PROBABLY BE A GOOD TIME FOR RESUMPTION OF THE CF NEGOTIATIONS, BUT THAT PRIOR TO THAT, HE HOPED IT MIGHT BE POSSIBLE TO HAVE A SMALL, INFORMAL GROUP MEET--POSSIBLY UNDER THE AUSPICES OF SOME FOUNDATION--TO TRY TO MAP OUT A GENERAL APPROACH AND ACHIEVE COMMON POSITIONS TOWARD ISSUES.

7. THE GERMANS FOR THEIR PART LISTENED POLITELY TO COREA'S VIEWS, BUT DID NOT COMMIT THEMSELVES TO ANYTHING. THE FRG TOOK THE POSITION AGREED UPON IN OECD AND EC THAT THE G-9 HAD TABLED A PROPOSAL IN GOOD FAITH, WHICH HAD NOT BEEN GIVEN ITS DUE CONSIDERATION BY THE G-77.

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8. RECENT NEWS ITEMS APPEARING IN GERMANY IMPLIED THAT THE FRG HAD CHANGED ITS POSITION ON THE CF, PARTICULARLY THE SECOND WINDOW, AND WAS NOW MUCH MORE RECEPTIVE TO THE IDEA. BOTH THE FOREIGN OFFICE AND THE ECONOMICS MINISTRY DENIED THIS AND SAID THE AUTHOR OF THE ARTICLE HAD WRITTEN HIS COLUMN TO MAKE THE PRESS DEADLINE WITHOUT BENEFIT OF THE FACTS.

9. COMMENT: WHILE THERE IS NO INDICATION OF ANY CHANGE IN FRG POLICY AT ALL, MINISTER GENSCHER AND THE FOREIGN OFFICE STILL BELIEVE THAT ACCEPTANCE OF A SECOND WINDOW SHOULD BE THE POLICY AND WILL TRY TO CONVERT THE MINISTRY OF ECONOMICS TO THIS POINT OF VIEW. THEIR CHANCES OF SUCCESS ARE PROBABLY NOT GOOD. ANY CHANGE WOULD HAVE TO COME FROM CHANCELLOR SCHMIDT HIMSELF.  
MEEHAN UNQUOTE VANCE

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